

Weekly Nifty Observer

Issue - 138

09 to 13 April 2012

Nifty Outlook

.....5220/5170 levels will continue to act as a short term support levels next week

Support

5220/5170 (5095 remote support)

Resistance

5350/5420 (5510 remote resistance)

Market Strength Indicators (Weekly)

14 period RSI - Up by 0.88 points from 53.64 levels previous week

14 period StochRSI - Down by 2.19 points from 63.68 levels previous week

Stochastic - Up by 6.00 points from 32.24 levels previous week

Market Intensity Indicator (Weekly)

NFP - At premium of 21.65 points from premium of 37.7 points previous week

Volatility - Down by 0.03 points at 0.27 levels

Open Interest (Weekly)

Cummulative OI Future -

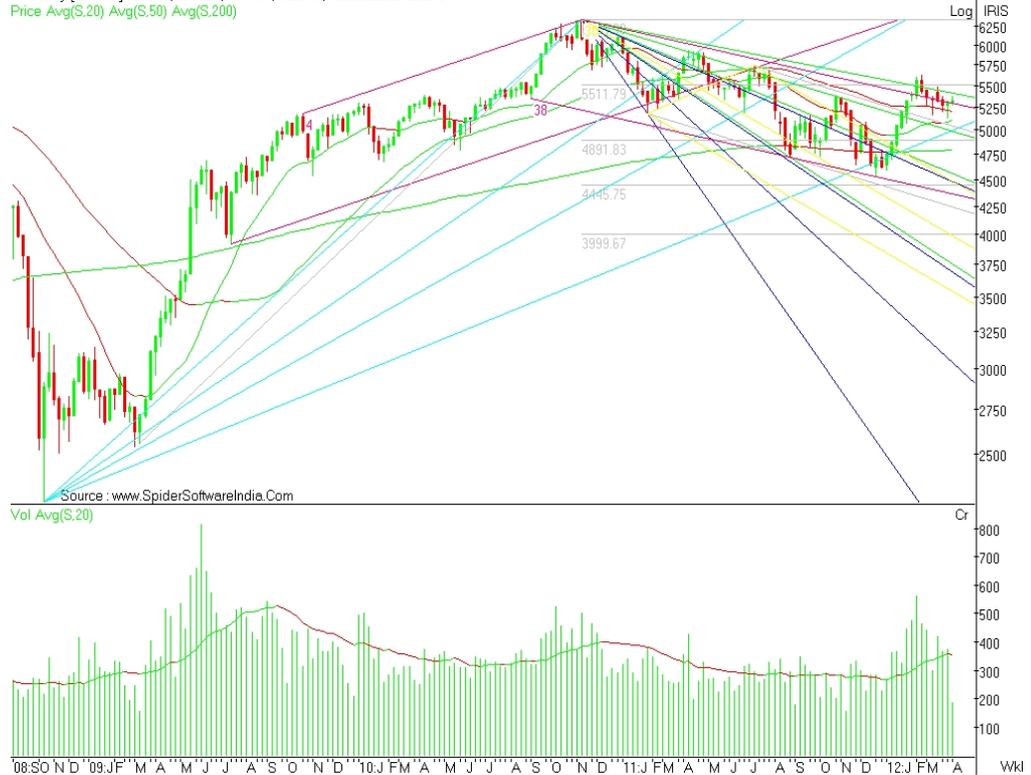
Cummulative OI Options -

OI Call -

OI Put -

Spot Nifty Weekly Chart

NSE Nifty [N59901] 5296.35, 5378.75, 5278.80, 5322.90, 1905680896 0.52%
Price Avg(S,20) Avg(S,50) Avg(S,200)



Technical Comments

Weekly Nifty closed 0.52 % up at 5322.90 levels after making high of 5378.75 and low of 5278.80 levels. It must be noted that last week Nifty sustained above the psychological 5300 levels and closed above it on W-o-W basis.

Since forty fifty weeks, Nifty is trading below the lower part of the channel which was drawn from high of 5181.95 (week ending 23/10/2010), high of 6335.90 (week ending 12/11/2010) and low of 3918.75 (week ending 17/07/09).

After five week of closing below the upper part of the channel (5350/5400 levels) and Nifty this week closed above it. The channel is drawn from the low of 5348.90 (week ending 03/09/2010), low of 4720.00 (week ending 26/11/2011) and high of 6335.90 (week ending 12/11/2010). In next few weeks if Nifty moves inside this channel then, it will move towards the lower part of the channel below 4500 levels.

On historical weekly chart, this is fourteen consecutive week of closing above the 4th speed line (around 4700/4650 levels). Continuation of trade above it then, 5000 levels will act as important mid to long term support levels in weeks to come. The speed line was drawn from the low of 2252.75 levels (week ending 31/10/08) and high of 6335 levels (week ending 12/11/10). Only, sustainability above 4th and last speed line will open path for Nifty to move towards 3rd speed line around 6000 levels with many psychological resistance levels. The probability to move towards 3rd speed line will grow stronger with continuation of trading above 4th speed line.

Over historical weekly chart twenty five weeks earlier, Nifty tested, but failed to sustain above the lower part of channel of Andrew's Pitchfork (around 5840 levels). The Andrew's Pitchfork is drawn from the low of 936.70 (week ending 17/04/03), high of 6357.10 (week ending 11/01/2008) and low of 2539.45 (week ending 06/03/2009).

On weekly basis Nifty was found trading above its 20 weeks SMA around 5104.58 levels, above its 50 weeks SMA around 5207.74 levels and above its 200 weeks SMA at 4791.82 levels along with fall in volume which was below its 20 weeks SMA. It must be noted that Nifty after four consecutive weeks of closing below its 200 days SMA on W-o-W basis, since last thirteen week it managed to close above it. LONG TERM TREND TURNED OUT TO BE BULLISH FIRST TIME IN 2012 ON W-O-W BASIS. SUSTAINING ABOVE ITS 200 PERIOD SMA ON W-O-W BASIS WILL ENSURE FOR BULL PHASE IN WEEKS TO COME.

On Weekly basis Nifty has very crucial support at 5220 levels and below it around 5090 levels. If Nifty Sustains above 5220 levels next week, it will force Nifty to move towards 5400 levels or above in weeks to come. Failing to do so will allow it to travel southwards towards 5000 levels.

The Data: On weekly basis, Nifty closed 0.51 % up along with 49.72 % fall in volume and fall in open position by 47.12 %. Heavy fall in volume and OI is due to two days of market closure.

Interpretation of Data: Nifty rise with fall in volume and fall OI suggesting that the market is running out of traders willing to open or hold an open long. Trades are liquidating both losing short position and closing winning long positions. A higher probability the market is set to retrace in price lower at some point forward.

Rise in Nifty with fall in open position on W-o-W basis suggests that the current rise of 0.51 % in Nifty was mainly due to short covering in April 12 future contracts.

Implication of the Interpretation: Out of three trading sessions, short covering was followed by fresh long build up. In last trading sessions of the week however, long liquidation was observed. But, short covering was there on W-o-W basis. Short covering along with fresh long build up will allow Nifty to trade above 5250 levels. But in case of long liquidation with fresh short build up, Nifty will be forced to trade below 5300 levels to test 5000 levels or below in weeks to come.

Global Cues

Source: Yahoo Finance

Market Outlook - Since October, estimates for first-quarter earnings growth have tumbled while the S&P 500 has surged. The outlook for next earning session is not as sunny as in previous quarters. Market will assess whether slower growth is priced into the U.S. stock market, or if the S&P 500's retreat from Monday's four-year high is the start of a larger decline, if results disappoint. After the S&P 500's rise of about 30 % since October, there is concern that buying interest is not strong enough to drive further gains.

Nonfarm Payrolls Report - Friday's nonfarm payrolls report was a disappointment, with just 120,000 jobs added in March, short of expectations for a gain of 203,000 jobs. Stock futures fell 1 % in a shortened session, with the cash market closed entirely.

Fund Managers Expectations - Fund managers will look for earnings to offer insight into how companies are faring amid mixed economic indicators and a resurgence of concerns about Europe. Strong results could extend the multi-month rally while weak ones could provide a catalyst for further declines. The latest trends haven't been encouraging. Analysts have trimmed estimates, management teams have grown more cautious, and overall growth rates have fallen sharply.

Earning Expectations - S&P 500 companies' earnings are seen rising 3.2 % in the first quarter, according to Thomson Reuters data, compared with growth of 9.2 % in the fourth quarter and a jump of almost 19 % in the first quarter of 2011 over the year-ago period. Warnings have dominated the pre-earnings season. Of the 121 pre-announcements, 68 % are negative ones, compared with 58 % in the first quarter a year ago. However, there is still concern that the recent burst of economic growth will prove transitory and that demand will sag after a warmer than-usual winter in the United States.

Earning Sessions - Alcoa Inc will mark the start of the earnings season with results after the closing bell on Tuesday. Google Inc, JPMorgan Chase & Co and Wells Fargo & Co are all slated to report later in the week.

Growth Estimates - Over the last several weeks, growth estimates have dropped markedly even as economic data has generally shown improved U.S. demand and the equity market has rallied. On the first of October, first-quarter earnings were seen growing more than 10 %. While estimates have dropped by more than two-thirds since then, the S&P 500 has climbed 27 %, raising the question of whether the slowing growth has been priced into the market.

National Cues

Source: Capital Market

Market Outlook - The major trigger for the market is Q4 March 2012 and year ending March 2012 (FY 2012) earnings. Market will focus on the guidance provided by the management for the year ending March 2013 (FY 2013) to gauge the earnings outlook. IT bellwether Infosys announces Q4 March 2012 results on Friday, 13 April 2012.

Economic Data on Focus - On the macro front, data on industrial production for February 2012 and that on inflation for March 2012 could provide cues on the central bank's likely policy stance at the monetary policy review for 2012-13 due on 17 April 2012.

IIP Numbers - The government will unveil industrial production data for February 2012 on Thursday, 12 April 2012. Industrial production grew 6.8% in January 2012, lower than 7.5% growth recorded in January 2011.

Inflation Data - On Friday, 13 April 2012, the government will unveil data on inflation based on the WPI for March 2012. The annual rate of inflation, based on monthly WPI, stood at 6.95% (provisional) for the month of February, 2012 (over February 2011) as compared to 6.55% (provisional) for the previous month and 9.54% during the corresponding month of the previous year.

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